

**REPORT OF THE AUDIT OF THE
MARSHALL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Marshall County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$16,431 from the prior year, resulting in excess fees of \$16,890 as of December 31, 2008. Revenues increased by \$142,971 from the prior year and expenditures increased by \$159,402.

Report Comment:

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Marshall County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2009 on our consideration of the Marshall County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Marshall County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 7, 2009

MARSHALL COUNTY
KEVIN BYARS, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants

Highway Safety Grant	\$	33,604	
Methamphetamine Grant		20,487	\$ 54,091

State - Kentucky Law Enforcement Foundation Program Fund		68,539
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State Fees For Services:

Cabinet for Health and Family Services	910	
Finance and Administration Cabinet	30,926	
Sheriff Security Service	33,605	
Bailiff Security Fees	88,668	154,109

Circuit Court Clerk:

Fines and Fees Collected		25,810
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Board of Education:

School Resource Officer		37,617
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Fiscal Court

229,952

County Clerk - Delinquent Taxes

5,590

Commission On Taxes Collected

703,626

Fees Collected For Services:

Auto Inspections	14,245	
Accident and Police Reports	1,586	
Serving Papers	66,290	
Carrying Concealed Deadly Weapon Permits	3,520	
Add-On Fees	108,338	
Advertising Fees	9,320	
Juvenile Transport	154	
Mental Transport	17,854	221,307

Other:

Reimbursements	37,890	
Jury Meals	262	
Miscellaneous	264	38,416

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Revenues (Continued)

Interest Earned	\$	631
Borrowed Money:		
State Advancement		<u>70,000</u>
Total Revenues		1,609,688

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	700,835	
Other Salaries - KLEFPF		68,346	
Court Security Salaries		153,827	
Overtime		<u>134,332</u>	1,057,340

Employee Benefits-

Employer's Share Social Security			3,663
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Materials and Supplies-

Office Materials and Supplies		10,929	
Deputy Expense		55,554	
Uniforms		<u>5,185</u>	71,668

Auto Expense-

Gasoline		92,793	
Maintenance and Repairs		38,438	
Mileage		653	
Boat		<u>2,794</u>	134,678

Other Charges-

Conventions and Travel		15,465	
Dues		500	
Postage		12,500	
Bond		1,726	
Court Security		1,802	
Civil Process		13,260	
Advertising		4,858	
Wrecker Service		1,439	
Canine Expenses		37	

The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
 KEVIN BYARS, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges- (Continued)

Transporting Prisoners	\$ 20,594	
Miscellaneous	4,154	\$ 76,335

Capital Outlay-

Office Equipment	9,488	
Vehicles	78,700	
Vehicle Equipment	9,856	98,044

Debt Service:

State Advancement	70,000
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Total Expenditures	1,511,728
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Net Revenues	97,960
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Less: Statutory Maximum	79,308
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Excess Fees	18,652
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Less: Training Incentive Benefit	1,762
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Excess Fees Due County for 2008	16,890
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Payment to Fiscal Court - February 17, 2009	16,890
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Balance Due Fiscal Court	\$ 0
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The accompanying notes are an integral part of this financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent for the first six months and 33.87 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Marshall County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Marshall County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Drug Forfeiture Account

The Marshall County Sheriff's office maintains a Drug Forfeiture Account. The account is funded by court-ordered forfeitures of money and/or property, and interest received on these deposits. The funds are to be used for various law enforcement operations, equipment and education to fight against drug problems in Marshall County. As of January 1, 2008, the Drug Forfeiture Account had a balance of \$9,059. During the year, funds totaling \$14,017 were received and \$19,423 were expensed, leaving a balance of \$3,653 as of December 31, 2008.

Note 5. Drug Awareness Resistance Education Account

The Marshall County Sheriff's office maintains a Drug Awareness Resistance Education (DARE) account for the promotion of drug awareness and prevention in the elementary schools. Funding for the DARE program is provided primarily by donations made to the United Fund Drive of Calvert City, and interest earned on the deposit of these funds. As of January 1, 2008, the DARE account had a balance of \$2,769. During the year, funds totaling \$1,925 were received and \$2,418 were expended, leaving a balance of \$2,276.

Note 6. Donation Account

In December 2007, the Marshall County Sheriff's office established a donation account. This account is used to account for donations from local businesses or other organizations. As of December 31, 2008, this account had a balance of \$1,256.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). This program, administrated by the Kentucky Justice Cabinet, is designed to provide adequate training to the Sheriff's deputies. During the year, the Marshall County Sheriff's office received \$68,539 from this program.

Note 8. Methamphetamine Grant

The Marshall County Sheriff's office has entered into an interlocal agreement with the Pennyrile Narcotics Task Force, which was awarded a methamphetamine grant. During the year, grant funds of \$20,487 were received for reimbursements on deputy's salary. As of December 31, 2008, the Marshall County Sheriff's office was in compliance with the terms of the grant agreement.

Note 9. Highway Safety Grant

The Marshall County Sheriff's office received a highway safety grant from the Kentucky Transportation Cabinet, Office of Highway Safety, in the amount of \$33,604. The grant funds were used to assist in dealing with highway safety issues, more specifically, alcohol countermeasures.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike Miller, Marshall County Judge/Executive
The Honorable Kevin Byars, Marshall County Sheriff
Members of the Marshall County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Marshall County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated August 7, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff Should Strengthen Internal Controls Over Financial Reporting



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Marshall County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 7, 2009

COMMENT AND RECOMMENDATION

MARSHALL COUNTY
KEVIN BYARS, SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff Should Strengthen Internal Controls Over Financial Reporting

Deficiencies exist in the Sheriff's system of internal controls that have allowed misstatements to the financial statements to go undetected and unresolved. Daily checkout sheets, which detail the summary totals of batched daily receipts, are not sufficiently reviewed for accuracy.

Without strong internal controls over the financial reporting system, receipts or disbursements can be erroneously classified without detection and carried forward to the financial statements, causing the financial statements to be materially misstated. Strong internal controls over financial reporting are essential in assuring the financial statements are accurately stated.

In order to strengthen internal controls over financial reporting, we recommend the Sheriff or a designee review daily checkout sheets for accuracy and agree with batched totals. Also, the Sheriff or designee should review the postings to the receipts and disbursements ledgers to verify they agree with the daily checkout sheets and check stubs. Any discrepancies noted should be investigated by the Sheriff.

Sheriff's Response: The official did not respond.

